



MERRILL ISLAND MINING CORPORATION LTD.

(No Personal Liability)

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MERRILL ISLAND MINING CORPORATION LTD.

(No Personal Liability)

Directors

CHARLES BOUFFARD
C. ANTOINE GEOFFRION, Q.C.
RANDOLPH P. MILLS
HUBERT J. MOCKLER
MAURICE SAMSON, O.B.E., C.A.
R. L. SEGSWORTH
FRIDOLIN SIMARD
JEAN-PAUL TARDIF, M.S.C.

Officers

RANDOLPH P. MILLS, Chairman of the Board
HUBERT J. MOCKLER, President
MAURICE SAMSON, O.B.E., C.A., Vice-President
JOSEPH O. SABOURIN, F.C.I.S., Secretary-Treasurer
IAN C. MILLER, Asst.-Secretary & Asst.-Treasurer

Transfer agent and registrar

CANADA PERMANENT TRUST COMPANY
600 Dorchester Blvd., West, Montreal 101, Que.

1901 Yonge Street, Toronto, Ont.

THE CANADIAN BANK OF COMMERCE
TRUST COMPANY
20 Exchange Place, New York, N.Y. 10005

Mine manager

EDWARD W. WATT, Chibougamau, Que.

Head office

Suite, 400, 621 Craig Street West, Montreal 101, Que.

Mine office

P.O. Box 5200, Chibougamau, Que.

Auditors

RIDDELL, STEAD & CO.
Chartered Accountants,
630 Dorchester Blvd. West, Montreal 101, Que.

*The Annual Meeting of the Shareholders
of Merrill Island Mining Corporation Ltd.
(No Personal Liability) will be held in
Windsor Hotel, Montreal, Canada, on
Thursday the 29th day of October, 1970
at the hour of 11:00 o'clock in the forenoon
(Eastern Standard Time).*



RANDOLPH P. MILLS
Chairman of the Board



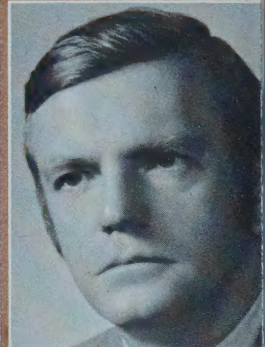
HUBERT J. MOCKLER
President



MAURICE SAMSON, O.B.E., C.A.
Vice-President



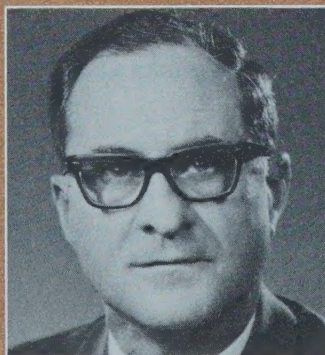
JEAN-PAUL TARDIF, M.S.C.
Director



CHARLES BOUFFARD
Director



ROBERT L. SEGSWORTH
Director



FRIDOLIN SIMARD
Director



C. ANTOINE GEOFFRION, Q.C.
Director

REPORT TO THE SHAREHOLDERS



REPORT TO THE SHAREHOLDERS

The Directors take pleasure in submitting for your information the nineteenth Annual Report of your company for the year ended June 30, 1970.

The report contains the Audited Financial Statements, comprising the Balance Sheet, Statement of Earnings, and Source and Application of Funds, the Mine Manager's Report, and the Report of the the Exploration Manager on exploration activities carried out during the year.

Earnings — Net income for the year, after charges, amounted to \$309,791 and equivalent to 5.7¢ per share. This compares with \$940,309 or 17.5¢ a share in the previous year. Cash flow at the same time was \$421,425 or 7.7¢ a share against \$1,046,522 or 19.3¢ the year earlier.

✓ **Working Capital**, including investments at cost at the year end, amounted to \$4,918,016, representing an improvement of some \$417,000 over the previous year.

✓ **Milling Operations** were once again confined exclusively to the treatment of ore from the Icon Sullivan Joint Venture. It is anticipated that the life of this ore deposit will be extended through the installation of a Sink Float plant designed to upgrade some of the material with a low copper tenor. Also the operating efficiency will improve while treating the better grade material by handling less waste.

Exploration activities were broadened considerably during the past year. Although most of the work was confined to Eastern Canada, several prospects in the south western United States were examined. In addition, serious consideration was given to participating in a syndicate which would conduct some reconnaissance in Australia.

Acquisition of the Sheridan interests which had been negotiated during the year was not consummated. Legal counsel is presently studying the situation to determine what further action might be taken in connection with this matter.

During the year we continued our policy of seeking suitable investments. In this regard serious discussions have been taking place with an operating mining company and this will be actively pursued over the coming weeks.

The following table presents a summary of results for the year just ended. The figures for the previous years are also given:

	1970	1969	1968
Earnings from operations before general, administrative, and exploration expenses	\$ 712,902	\$ 1,286,242	\$ 528,867
Per share	13.1 ¢	23.7 ¢	9.8 ¢
Profit from sale of investments	35,572	862,864	224,463
Net earnings for the year	309,791	940,309	184,986
Per share	5.7 ¢	17.5 ¢	3.4 ¢
Charges to operations not requiring a cash outlay	111,634	106,213	125,874
Increase in working capital	421,425	1,147,883	411,844
Tons milled	231,341	205,026	193,573
Copper produced (pounds)	13,377,574	13,090,793	11,473,083

EARNINGS

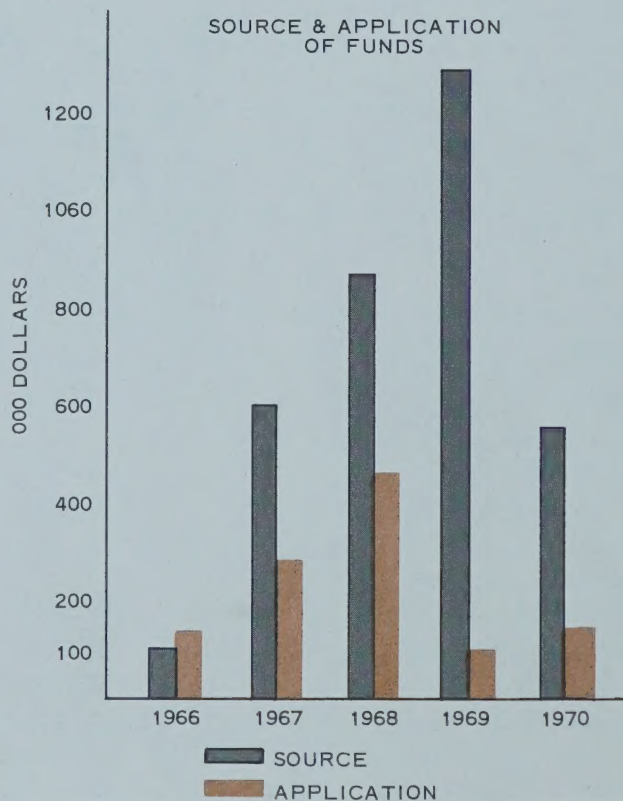
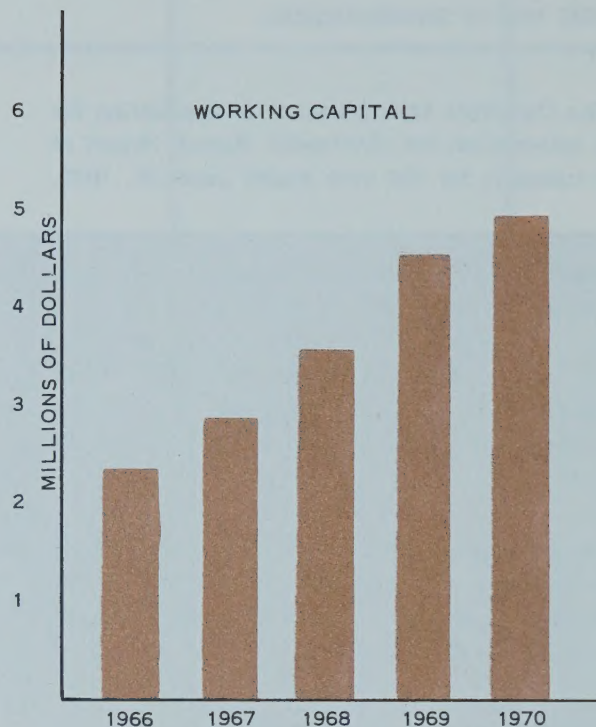
Net earnings for the year amounted to \$309,791 or 5.7¢ a share. Although this represents a fairly substantial decline from the previous year's results of \$940,309 or 17.5¢ a share, it should be pointed out that the 1968-69 period included large profits generated from the sale of securities. On the other hand, earnings from your company's share of the Icon Joint Venture were much higher than in the previous twelve months.

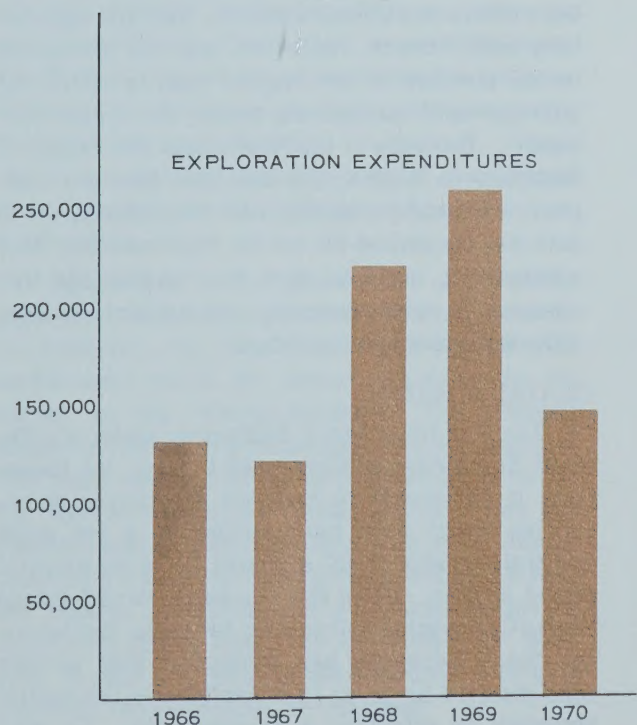
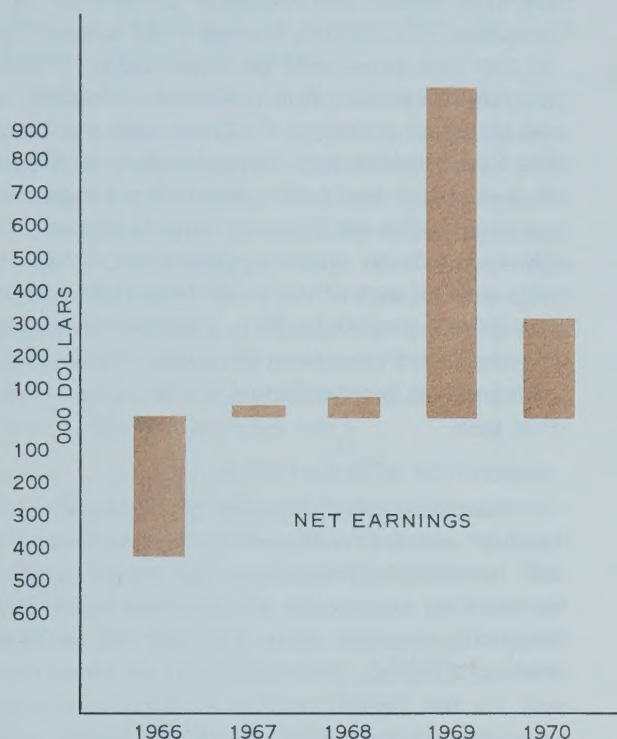
PRODUCTION

A total of 213,341 tons were processed through the company's mill having an average grade of 3.23% copper and which yielded 13,377,574 pounds of copper. As in the previous year, the ore was derived entirely from the Icon Sullivan Joint Venture ore body in which Merrill Island has a 10% participation. Because of trucking costs, it has not been possible to date to handle some of the lower grade material. In an effort to correct this situation, a heavy-media-ore-sorting plant was constructed last year. Following an initial tune-up period, it is now operating satisfactorily. The upgrading of the ore with a low copper tenor will extend the life of this mine. In the meantime, exploration around the immediate mine area is continuing with moderate success. The participation in the Icon Venture will remain an important part of your company's operations for several more years.

FINANCIAL POSITION

As of June 30, 1970, the company's working capital position amounted to \$4,918,016, a net increase of \$417,616 from the previous year-end figure of \$4,500,400. The assets contained in working capital consist mainly of cash and bank deposit receipts and marketable securities having a market value of \$2,112,000 against a book cost of \$2,538,000. Although the portfolio experienced a decline in value during the year, we are of the opinion that this situation is temporary. The securities which are held are, for the most part, high grade in nature and they will increase in value when the stock market moves forward again.





EXPLORATION

Exploration activities during the past fiscal year were conducted on a much broader scale than at any other time in the company's history. It is noteworthy that the increased exposure was achieved despite reduced expenditures. The search for mineral deposits ranged from coast to coast in Canada, as well as in parts of the southwestern United States. In addition, the possibility of carrying out some primary exploration in Australia was examined. Considering the attitudes of various Government and other regulatory bodies in this country towards the mining industry, your management believes that it should expose itself to opportunities in the mineral industry on a world-wide basis.

Details of the specific projects under active review are covered in the Exploration Manager's report.

GENERAL

The twelve months which covered the nineteenth year during which your company has been operating was indeed a most exciting period full of contrasts and inconsistencies. From a corporate point of view, perhaps the single most important development that occurred in this period was the definite ending of the great economic boom which characterized most of the decade. The expansion which, began in the early sixties created an air of seemingly unending prosperity. Industrial output in all sectors reached record highs, bringing with it an unprecedented demand for raw materials that at times was difficult to meet. The imbalance between supply and consumption was ultimately reflected in rising prices. Copper, in particular, experienced considerable pressures and quotations on the London Metal Exchange attained an all time high in late 1969. The record prices, combined with a change in marketing distribution, had a beneficial impact on the company's share of income from the Icon Sullivan Joint Venture. Attendant with the rising commodity prices were excessive wage demands which has resulted in an inflationary spiral that will be the major single problem of the next few years. Both Government and industry are attacking the question of inflation, but so far the

concerted action has only produced mixed results. Usually in such cases the business community experience a nervous reaction, and as a consequence, the economy becomes unsettled. Such a development is further characterized by falling metal prices. In this context, copper has again been the leader, and since the beginning of this year, quotations on the London Metal Exchange have declined over 40%. Unless this trend is reversed, it can be expected that operating income for the current fiscal year will not be as good as was the case for the period just ended.

Another interesting phenomenon that characterized the recent fiscal year was the sharp decline of the North American stock exchanges. Over the years, as Merrill Island's working capital position grew, your management has followed a policy of employing its surplus funds in portfolio investments. The objectives of this program are aimed primarily at supplementing income from direct operations, as well as seeking a capital gain over the medium to longer term. The uncertain conditions which prevailed in the economy over the last several months has made it difficult to repeat the success enjoyed in our previous fiscal year. We are reasonably confident, however, that over the longer term many of the difficulties confronting the world economy will be resolved. This will ultimately be mirrored in rising stock markets.

A further dimension of the portfolio is to act as a financing medium for promising ventures in the natural resource field. Such investments run the gamut of new prospects to established operations. Also, preference is given to those situations in which a direct commitment can be made and where your company's reservoir of technical talent plays as equally an important roll as does capital. During the past year your management examined several submissions, but unfortunately, none of these withstood a critical evaluation. It is our belief that high interest rates combined with a scarcity of investment capital will bring many opportunities in our direction. Therefore, it is anticipated that we will continue to be aggressive in this field over the coming months, and that we will be able to find a suitable situation in the not too distant future.

QUEBEC URANIUM MINING CORPORATION

This company, incorporated two years ago to carry out airborne and ground geophysical surveys for uranium, uses the most modern radioactive detection instruments available. Merrill Island

played an important role in its incorporation and continues to be active in its direction by providing both capital and technical assistance for its programs. During the current field season some 30,000 line miles will be flown using a Beaver aircraft in various parts of Ontario, Quebec, and the Maritime provinces. Along with the Gamma Ray Spectrometer and Magnetometer, an Electro-magnetometer has been added to the equipment package. The addition of this instrument will cover any base metal possibilities. Although only a small part of the areas selected for flying has been surveyed to date, a number of interesting anomalies have been detected. These will be examined in greater detail on the ground later this year.

MAGNETICS INTERNATIONAL LTD.

Your company continues to maintain a substantial interest in Magnetics International Ltd. and is indeed pleased with its recent progress. For the first six months of its current fiscal year, Magnetics recorded sales of \$1,042,776 and a net profit of \$13,148. While this amount, taken by itself, is not significant, it is impressive when measured against a loss of \$187,502 reported for the same period last year. The problems first encountered in starting up the plants now appear to have been completely overcome. Both the Ogdensburg and Prescott facilities are now producing ferrite powders of the highest quality which are gaining rapid acceptance among the major consumers. Delivery of the first Jones Wet Magnetic Separator to Itabira, the Brazilian iron ore company, was made recently, and its performance to date has surpassed all earlier expectations. Your management believes that the outlook for this company is most promising and we look for considerable growth in the future.

CAPITAL REVISION

The American Stock Exchange, under its Revised Standards for Continued Listing, no longer finds it acceptable to continue the listing of securities which have been selling at a low price (generally under \$5.00 a share) for a substantial period of time. Since the shares of Merrill Island Mining Corporation fall in that category, the American Stock Exchange has suggested that serious consideration be given to consolidating the capital structure by effecting a reverse split. To date your management has been reluctant to undertake this move since it did not appear to fulfill any useful function. However, in light of the company's long-term growth objectives, it is now believed that a change should be effected. Also, since the

bulk of the company's shareholders reside in the United States, we believe it important to comply with the request of the American Stock Exchange so that the majority of the shareholders will have continued access to a market.

Since this question is of considerable importance, it is the company's intention to call a Special General Meeting of Shareholders some time after the Annual General Meeting to vote specifically on a By-Law empowering the company to consolidate its outstanding capital. At the same time Shareholders will be asked to approve two other By-Laws authorizing a change in the company's name and removing the company from under the jurisdiction of the Quebec Mining Companies Act to the Quebec Corporation Act.]

THE WHITE PAPER

In November of 1969, the Federal Government, after nearly two years of intensive study, released its White Paper on Proposals for Tax Reform. The principal purpose of this report was to redesign outdated tax structures to fit into today's highly complex economic environment. The proposals contain many novel concepts which will, if enacted, affect nearly every taxpayer, whether private or corporate. While some individuals and corporations will be affected more than others, it appears that the mining industry, in particular, was singled out for unduly harsh treatment. Specifically, the study recommends the abolition of the initial three-year tax-free holiday accorded to new mines and depletion allowances. These are to be replaced by a system of accelerated write-offs and earned depletion through exploration credits.

Subsequent to the publication of the White paper and following much criticism from the mineral producers, the Government has proposed some amendments which are meant to soften the tax impact on the mining industry. The changes widen the expenditures through which a corporation could earn depletion allowances by including the costs of certain ore processing facilities and certain expenditures connected with major expansions of a mine. The third change would increase the Federal abatement for Provincial corporate taxes from 10% to 25%. The latter measure, however, is only a shifting of tax responsibility from one level of Government to the other.

Despite the proposed changes, the adoption of the White Paper will add a considerable burden to the mining industry, making it the most heavily taxed segment of Canadian industry. Moreover, since small mines are financially unable to con-

duct much exploration and thereby earn depletion allowances, they may well be taxed out of existence.

The exploration for, and development of ore deposits, is, even under the best of conditions, a highly risky undertaking. The probabilities of success are small while the costs are high. Added to these uncertainties is the burden of an extremely inhospitable climate found in the remote north, where most of the exploration endeavours take place. These factors alone make the raising of capital for the mining business difficult. If the extractive industries must now absorb an additional weight in the form of taxes, then there will be no question that capital normally channelled into exploration will seek alternative forms of employment. Such a development would indeed be most unfortunate and could have tremendous repercussions throughout the entire economy. A healthy and vigorous mineral industry provides the basic stepping stone upon which great nations are built. If Canada is to continue to grow and prosper as well as push back its frontiers, it is paramount that capital keeps flowing into the natural resource industries. Therefore, rather than impose additional hardships on an industry that is fraught with risks from the beginning, new incentives should be granted. Your management sincerely hopes that these proposed changes will be given long and serious deliberation before being passed into law.

Your Directors wish to express their sincere appreciation to all of the staff for their determined effort and loyal services throughout the year.

Respectfully submitted on behalf of the Board of Directors.

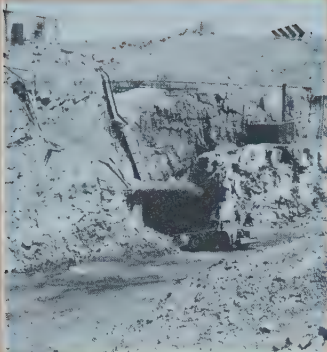


R. P. Mills,
Chairman of the Board



H. J. Mockler,
President.

Montreal, Quebec.
September 8, 1970.



**MINE MANAGER'S
AND EXPLORATION MANAGER'S
REPORT TO THE DIRECTORS**

MINING

The production of ore for the fiscal year under review was 222,868 tons broken, and came from four sources: underground, Pit #1, Pit #2, Pit #3. The major proportion came from underground, and in addition to that, there was 39,995 tons of low grade material broken.

	<u>Underground</u>	<u>Pit #1</u>	<u>Pit #2</u>	<u>Pit #3</u>	<u>Total</u>
Ore broken (tons)	116,186	90	74,405	32,187	222,868
Ore mucked	115,879	2,812	64,642	31,083	214,416
Waste broken	14,012	61	35,083	25,011	74,167
Waste mucked	15,071	—	39,459	17,806	72,336
Low grade broken	39,995	—	—	—	39,995
Mucked to SP 2	29,786	—	—	—	29,786
Mucked to underground SP	12,655	—	—	—	12,655
Mucked from SP	—	464	—	—	464
Drifts Advance	3,820				
Raises Advance	110				
Waste from raises	1,047				
Waste mucked	1,047				
Over burden removed (cu. yds.)			33,380	34,263	

GENERAL

Plans that have been approved by Icon Sullivan Joint Venture to install a heavy media ore sorter have been carried out. It has been in operation since the 28th of May, 1970. For construction there were 5,514 tons of rock broken and 11,689 cu. yds. of overburden removed.

Respectfully submitted,

E. W. Watt,
Mine Manager

August 18, 1970

MERRILL ISLAND MINING CORPORATION, LTD.
(No Personal Liability)
(Incorporated under the Quebec Mining Companies Act)
BALANCE SHEET AS AT JUNE 30, 1970

ASSETS

CURRENT ASSETS

	<u>1970</u>	<u>1969</u>
Cash and deposit receipts	\$1,543,896	\$1,625,967
Accounts receivable		
Joint venture (Note 1)	612,798	345,014
Other	49,137	69,348
Current portion of note receivable	100,000	200,000
Marketable securities at cost (Note 2)	2,538,655	2,174,697
Inventory of supplies at cost	148,589	144,262
Prepaid expenses	21,310	7,462
	<u>5,014,385</u>	<u>4,566,750</u>

INVESTMENTS

5% note receivable due 1971 less current portion included above	—	100,000
Investment in wholly owned unconsolidated subsidiary shares at cost and advances being approximately underlying book value	21,964	33,586
	<u>21,964</u>	<u>133,586</u>

FIXED ASSETS at cost (Note 3)

Mill, buildings and equipment	1,309,357	1,284,006
Accumulated depreciation	941,638	884,075
	<u>367,719</u>	<u>399,931</u>
Townsite lots and houses	602,692	628,805
Accumulated depreciation	365,902	325,943
	<u>236,790</u>	<u>302,862</u>
Mining properties	5,600	5,600
	<u>610,109</u>	<u>708,393</u>

DEFERRED EXPLORATION EXPENSES (Note 4)

	<u>135,901</u>	<u>60,000</u>
	<u>\$5,782,359</u>	<u>\$5,468,729</u>

SIGNED ON BEHALF OF THE BOARD:

R. P. MILLS Director

H. J. MOCKLER Director

The accompanying notes are an integral part
of this financial statement.

LIABILITIES

[illegible]

MERRILL ISLAND MINING CORPORATION, LTD.
(No Personal Liability)
STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 1970

	<u>1970</u>	<u>1969</u>
MILLING REVENUE		
Joint venture profit sharing (Note 1)	\$ 531,450	\$ 306,792
Joint venture toll charge (Note 1)	106,670	102,522
Metal sale adjustments	—	376
	<u>638,120</u>	<u>409,690</u>
EXPENSES — MILLING		
Administration	12,484	17,899
Insurance, taxes and other	1,125	6,351
Depreciation (Note 3)	57,563	50,503
	<u>71,172</u>	<u>74,753</u>
Earnings from milling operations	<u>566,948</u>	<u>334,937</u>
INVESTMENT INCOME		
Gain on sale of investments	35,572	862,864
Interest	147,594	124,238
Dividends	18,754	22,885
Loss on townsite houses including depreciation of \$54,071 in 1970 and \$55,710 in 1969 (Note 3)	<u>(55,966)</u>	<u>(58,682)</u>
	<u>145,954</u>	<u>951,305</u>
Earnings before general, administrative and exploration expenses	<u>712,902</u>	<u>1,286,242</u>
GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)	<u>321,908</u>	<u>180,334</u>
Earnings before exploration expenses	<u>390,994</u>	<u>1,105,908</u>
EXPLORATION EXPENSES	<u>90,204</u>	<u>165,599</u>
	<u>300,790</u>	<u>940,309</u>
OTHER REVENUE		
Profit on sale of fixed assets	<u>9,001</u>	<u>—</u>
NET EARNINGS (Note 8)	<u>309,791</u>	<u>940,309</u>
Retained earnings at beginning of year	<u>951,100</u>	<u>10,791</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$1,260,891</u></u>	<u><u>\$ 951,100</u></u>

The accompanying notes are an integral part
of this financial statement.

MERRILL ISLAND MINING CORPORATION, LTD.
(No Personal Liability)
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1970

	<u>1970</u>	<u>1969</u>
SOURCE OF FUNDS		
Operations		
Net earnings	\$ 309,791	\$ 940,309
Charges not involving an outlay of funds		
Depreciation on mill, buildings and equipment	57,563	50,503
Depreciation on townsite houses	54,071	55,710
	<u>421,425</u>	<u>1,046,522</u>
Note receivable	100,000	200,000
Sale of fixed assets — at cost less accumulated depreciation	12,001	—
Decrease in advance to subsidiary	11,622	—
	<u>545,048</u>	<u>1,246,522</u>
APPLICATION OF FUNDS		
Deferred exploration expenses	75,901	60,000
Reduction of mortgage payable	26,180	26,871
Purchase of fixed assets	25,351	3,192
Increase in advance to subsidiary	—	8,576
	<u>127,432</u>	<u>98,639</u>
INCREASE IN WORKING CAPITAL	417,616	1,147,883
Working capital at beginning of year	4,500,400	3,352,517
WORKING CAPITAL AT END OF YEAR	<u>\$4,918,016</u>	<u>\$4,500,400</u>

AUDITORS' REPORT

To The Shareholders
Merrill Island Mining Corporation, Ltd.
(No Personal Liability)

We have examined the balance sheet of Merrill Island Mining Corporation, Ltd. (No Personal Liability) as at June 30, 1970 and the statements of earnings and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary under the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at June 30, 1970, and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, & CO.

August 7, 1970

MERRILL ISLAND MINING CORPORATION, LTD.

(No Personal Liability)

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1970**

1. Icon Sullivan Joint Venture

Under an agreement dated May 1967, the company performs the milling of copper ore for the joint venture in consideration of a toll charge per ton of ore milled and 10% of net profits of the joint venture. The term of this agreement is for a period of five years expiring in May 1972, and is subject to cancellation on six months notice by either party.

2. Marketable Securities

	<u>Quoted or Estimated Market</u>	<u>1970</u>	<u>Cost</u> <u>1969</u>
Bonds, debentures and shares at:			
Quoted market value	\$1,401,391	\$1,962,880	\$1,184,867
Estimated market value	625,775	575,775	989,830
	<u>\$2,027,166</u>	<u>\$2,538,655</u>	<u>\$2,174,697</u>

3. Fixed Assets and Depreciation

Mill buildings and equipment are located on property leased at an annual rental of \$1 under an agreement extending for a period of seven years after the termination of the Icon Sullivan Joint Venture referred to in Note 1. These assets less estimated salvage value are being depreciated over the life of the joint venture agreement.

Townsite houses are being depreciated over a period of ten years.

4. Deferred exploration expenses

the following projects have been deferred:

<u>Project</u>	<u>1970</u>	<u>1969</u>
Taché Lake Mines — Quebec	\$ 60,000	\$ 60,000
J.J. Dolan Option — New Brunswick	63,347	—
Ran Lux Mines-Bear Bay Option — Quebec	12,411	—
St. Lawrence County — New York — U.S.A.	143	—
	<u>\$135,901</u>	<u>\$ 60,000</u>

5. Contingent Liabilities

The company is the defendant in legal actions of \$65,910 plus interest from March 1, 1966, and \$81,762 plus interest from November 30, 1956. The company has denied any liability in respect of these claims and has taken steps to support its denial of liability.

6. Authorized capital stock

During the year, by supplementary letters patent, the authorized capital stock of the company has been increased from 6,000,000 to 10,000,000 common shares of a par value of \$1 and 2,000,000 preferred shares of a par value of \$5 were created.

7. General and Administrative Expenses

Included in this amount are directors' fees of \$11,550 (\$12,800 in 1969) and executive remuneration of \$51,550 (\$34,700 in 1969).

The company has an agreement with a service corporation to provide office space, accounting services, office employees and supervision of the Exploration Department. Fee paid to this corporation during the year ended June 30, 1970 amounted to \$24,000 (\$22,500 in 1969). Two of the principal shareholders of the third party are the Chairman and Secretary-Treasurer of Merrill Island Mining Corporation, Ltd.

8. Income Taxes

No provision for income taxes is required for the current year as a result of the elimination of non-taxable income and the availability of exploration and depreciation expenses previously unclaimed for tax purposes. The total of these unclaimed expenses which remain to be carried forward against future taxable income amounts to approximately \$2,330,000 as at June 30, 1970. In addition, losses carried forward for tax purposes amounting to \$288,365 for a prior year and \$64,304 for the current year are available until June 30, 1973 and June 30, 1975 respectively against future taxable income.

9. Options to Purchase Shares

As at June 30, 1970 the company had the following options to purchase shares of:

<u>Name of Company</u>	<u>Number of shares</u>	<u>Price per share</u>
Quebec Uranium Mining Corporation (No Personal Liability)	200,000 50,000	\$0.50 0.60
Bruneau Mining Corporation (1970) (N.P.L.)	100,000	0.50

AR39

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Merrill Island Mining Corporation, Ltd.

(NO PERSONAL LIABILITY)



Semi-Annual Report



July 1st to December 31st 1967

MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

To the Shareholders of

Merrill Island Mining Corporation, Ltd.

There was a change in your company's operations in June, at which time milling of the ore from the Merrill mine was discontinued and the entire milling facilities devoted to handling ore for Icon Syndicate. Underground work was concentrated on trying to develop additional ore reserves and the ore mined was stockpiled on surface.

The statement of operations has, therefore, been revised in order to provide a comparative statement for the same period of 1966, which is summarized as follows:

Mine revenue for the six months ended December 31, 1967, was \$252,226 as compared with \$828,233, and gross profit from mining operations was \$82,714 as compared with \$62,584 for the six months ending December 31, 1966. Revenue from investments was \$131,012 against \$13,639 in 1966, and the profit before charging off exploration expense was \$115,594 as compared with \$2,655 in 1966. Exploration expenditures (all of which were charged against current operations) were \$106,361 and profit for the period was \$9,233. This compares with exploration expenditures of \$48,922 and a loss of \$46,267 for the six months ended December 31, 1966. All of the above figures are subject to audit and year end adjustment.

Current assets as at December 31, 1967, were \$3,594,930, including cash and deposit receipts of \$1,430,083 and investments of \$1,602,723. Current liabilities were \$76,774, leaving net working capital of \$3,518,156. This compares with \$2,624,549 a year ago. The enclosed Statement of Source and Application of Funds shows an increase in working capital for the six month period of \$572,898.

ICON SYNDICATE

Beginning in June the principal mining and milling operations were carried on for Icon Syndicate and our own underground work consisted of mining and stockpiling of ore and underground exploration in an effort to increase ore reserves in the Merrill mine. These were not successful and the shaft, underground workings and certain other assets were sold in December to Campbell Chibougamau Mines Ltd. Your company is now mining and milling the ore of Icon Syndicate under the agreement whereby Icon pays all operating costs and Merrill participates to the extent of 10% in the operating profits after repayment of Icon's expenditures in bringing the property into production. The total expenditures incurred by Icon is estimated at \$1,200,000 and the operating profit for the five months to October 31, 1967, \$1,013,036. Full repayment of the Icon expenditures should, therefore, be obtained from the profits earned in November and beginning in December 10% of the operating profit will accrue to Merrill.

The mining staff is now employed in the Icon operation and your mill and related facilities are operating at capacity.

CAMPBELL CHIBOUGAMAU MINES LTD.

Agreement was reached with Campbell Chibougamau Mines Ltd. for the sale of the area presently under lease from Merrill to Campbell, the shaft and underground workings of Merrill, including mining equipment, buildings and the stockpile of ore on surface. In addition, Merrill also transferred to Campbell its interest in certain agreements between Merrill and Chib-Kayrand Copper Mines Limited respecting Chib-Kayrand mining concession and an additional 71 claims in Obalski township.

The purchase price was the issuance to Merrill of 50,000 shares of Campbell Chibougamau Mines Ltd. and \$700,000, of which \$200,000 has been received and the balance is payable \$200,000 in January, 1969, \$200,000 in January, 1970 and \$100,000 on January 5, 1971. Your company, therefore, received approximately \$1,050,000 from the sale of these assets, which also includes a general release of our claims and legal action against Campbell Chibougamau Mines Ltd.

With the depletion of our ore reserves the mining of the remnants of ore in widely scattered areas on a salvage basis was not profitable. Sale of the underground workings relieves the company of any further exploration and maintenance expenses.

EXPLORATION

Exploration activities were expanded. Diamond drilling on your mining concession known as Block "D" in Obalski township in Chibougamau obtained only low copper values. Five E.M. conductors in Gand township outlined by both aerial and surface geophysical surveys were tested by diamond drilling. Two properties, one in Rouyn township and another in Laverlochere township, Quebec, were investigated by geophysical surveys and surface trenching. The assays obtained were low and the options have been dropped. Two properties in the Gaspé area were also explored by geophysical methods and by a program of diamond drilling with negative results.

A joint exploration program with Terra Nova Explorations Ltd. in British Columbia investigated a new copper area and will be continued again this year. Prospectors for the company discovered two sulphide showings in Julien and LaTouche townships west of Chibougamau. A total of 36 claims were staked covering these showings, which will be further explored this summer. At present, two properties, one in the Newcastle area, and the other located 20 miles west of Saint John, New Brunswick, are being explored by a program of diamond drilling. Negotiations are underway for the optioning of two partially developed gold properties in Quebec.

Your company is active in uranium exploration through its 40% interest in Quebec Uranium Mining Corporation. This company is engaged in locating and exploring a number of areas containing radioactive material. The holdings in Cons. Quebec Smelting & Refining Ltd., amounting to approximately 12% interest, have been retained and your management intends to increase its interest as this company's operations expand and additional financing is required.

OUTLOOK

Exploration activities will be continued in an effort to locate and develop ore deposits of economic size and importance. With the cash resources now available, your management is attempting to broaden the company's activities into other fields. Income from your participation in Icon Syndicate should increase in the coming months if the present price of copper metal is maintained.

R. P. MILLS,
President.

Montreal, Quebec.
February 12, 1968.

MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

UNAUDITED STATEMENT OF OPERATIONS

For the six months ended December 31, 1967

	Unaudited 1967	Unaudited 1966
Revenue		
— sale of stockpiled and broken ore and metal sales adjustments net of production costs (1967 — \$134,142, 1966 — \$484,174) — Note 1	\$118,084	\$344,049
— custom milling — Note 2	48,244	48,543
	<u>166,328</u>	<u>392,592</u>
Expenses		
— mine and mill administration	25,992	77,719
— insurance, taxes and other	12,904	18,784
— depreciation	44,718	233,505
	<u>83,614</u>	<u>330,008</u>
Gross profit on operations	<u>82,714</u>	<u>62,584</u>
Revenue from investments		
— profit on sales	114,343	5,204
— interest	44,607	36,126
— dividends	6,059	4,683
— loss on townsite houses including depreciation of \$28,464 (1966 — \$28,463)	(34,007)	(32,384)
— other	10	10
	<u>131,012</u>	<u>13,639</u>
	213,726	76,223
General administrative expenses	<u>98,132</u>	<u>73,568</u>
	115,594	2,655
Exploration expenses	106,361	48,922
Profit (loss) for the period	<u>\$ 9,233</u>	<u>(\$ 46,267)</u>

NOTES:

1. Effective December 1, 1967, the company sold the mining concessions, underground workings, mining equipment and buildings including shaft and hoist, residences, stockpiled ore and underground broken ore located on Blocks A, B and C of Obalski and Block B of McKenzie Townships in the Chibougamau district of Quebec.
2. The agreement with Icon Sullivan Joint Venture provides that they pay to this company 10% of the excess of receipts over expenditures after deduction of preproduction expenditures, payments for mining rights, fixed asset costs and costs of mining, milling and marketing.

To December 31, 1967 no portion of the excess has been taken into income as the required financial information has not yet been provided to us.

MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

UNAUDITED STATEMENT OF WORKING CAPITAL INCLUDING INVESTMENTS

	Unaudited December 31, 1967	Audited June 30, 1967
Current assets	\$1,992,207	\$2,476,654
Investments	<u>1,602,723</u>	<u>628,493</u>
	3,594,930	3,105,147
Current liabilities	<u>76,774</u>	<u>159,889</u>
	3,518,156	2,945,258
Working capital including investments as at June 30, 1967	<u>2,945,258</u>	
Increase in working capital for the six months ended December 31, 1967	<u>\$ 572,898</u>	

UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended December 31, 1967

FUNDS WERE PROVIDED BY:

Operations		
— profit for the period		\$ 9,233
Charges to operations not requiring the use of funds		
Depreciation — mill buildings and equipment	\$ 44,718	
— townsite houses	28,464	
— other	<u>122</u>	73,304
		82,537
Adjustment of prior years' expenses		12,844
Issue of capital stock		35,000
Sale of fixed assets		<u>493,641</u>
		624,022

FUNDS WERE APPLIED TO:

Purchase of fixed assets	6,753
Reduction of long-term debt — mortgage payable	13,560
Loss on sale of assets	<u>30,811</u>
	51,124

INCREASE IN WORKING CAPITAL	<u>\$ 572,898</u>
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MERRILL ISLAND MINING CORPORATION, LTD.
(NO PERSONAL LIABILITY)

ÉTAT NON VÉRIFIÉ DU FONDS DE ROULEMENT
INCLUANT LES PLACEMENTS

Non vérifiés 31 décembre 1967	Vérifiés 30 juin 1967
\$1,992,207	\$2,476,654
1,602,723	628,493
3,594,930	3,105,147
76,774	159,889
3,518,156	2,945,258
2,945,258	
Augmentation du fonds de roulement pour les six mois terminés le 31 décembre 1967	\$ 572,898

ÉTAT NON VÉRIFIÉ DE LA PROVENANCE ET
DE L'UTILISATION DES FONDS

pour les six mois terminés le 31 décembre 1967

LES FONDS PROVENAIENT DE:	
Exploitation — profit de la période	\$ 9,233
Imputations à l'exploitation ne comportant aucun déboursé de fonds	
Amortissement — usine, bâtiments et outillage	\$ 44,718
— résidences	28,464
— autres	122
Régularisation des dépenses des années antérieures	
Emission de capital-actions	12,844
Réalisation d'immobilisations	35,000
	493,641
	624,022
LES FONDS FURENT UTILISÉS À:	
Achat d'immobilisations	6,753
Réduction de la dette à long terme — hypothèque à payer	13,560
Perte sur la réalisation d'actifs	30,811
	51,124
	\$ 572,898
AUGMENTATION DU FONDS DE ROULEMENT	

MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

ÉTAT D'EXPLOITATION NON VÉRIFIÉ pour les six mois terminés le 31 décembre 1967

Non vérifiés 1967
Non vérifiés 1966

Revenus		
— vente de minerai amassé et de minerai abattu et ajustements de ventes de métaux, montant net après déduction des coûts de production (1967 — \$134,142, 1966 — \$484,174) — Note 1	\$118,084	\$344,049
— usinage pour clients — Note 2	48,244	48,543
166,328		392,592
Dépenses		
— administration de la mine et de l'usine	25,992	77,719
— assurances, taxes et autres frais	12,904	18,784
— amortissement	44,718	233,505
83,614		330,008
Profit brut d'exploitation		
82,714		62,584
Revenus de placements		
— profit sur ventes	114,343	5,204
— intérêt	44,607	36,126
— dividendes	6,059	4,683
— perte sur les résidences incluant un amortissement de \$28,464 (1966 — \$28,463)	(34,007)	(32,384)
— autres	10	10
131,012		13,639
Frais généraux d'administration		
213,726		76,223
98,132		73,568
115,594		2,655
Frais d'exploration		
106,361		48,922
\$ 9,233		(\$ 46,267)

NOTES:

- En date du 1er décembre 1967 la compagnie a vendu les concessions minières, les travaux souterrains, l'outillage minier et les bâtisses, y compris les puits et le minerai amassé en surface et le minerai abattu situé sous terre des Blocs A, B et C d'Obalski et du Bloc B des Cantons de McKenzie dans le district de Chibougamau de Québec.
- L'entente d'entreprise en participation avec l'con Syndicate stipule que cette dernière doit payer à cette compagnie 10% de l'excédent des recettes sur les dépenses après défalcation des frais d'avant production, du paiement des droits miniers et du coût des immobilisations, de l'usinage et de la mise en marché. Au 31 décembre 1967 aucune partie de l'excédent n'a été incluse comme revenu étant donné que les renseignements financiers nécessaires ne nous ont pas été fournis.

CAMPBELL CHIBOUGAMAU MINES LTD.

Une entente a été conclue avec Campbell Chibougamau Mines Ltd. pour la vente de la zone actuellement louée par Merrill à Campbell, du puits, des travaux souterrains de Merrill, y compris l'équipement d'extraction, les bâtisses et le minerai entassé à la surface. De plus, Merrill a également transféré à Campbell ses intérêts dans certaines ententes entre Merrill et Chib-Kayrand Copper Mines se rapportant à des concessions minières de Chib-Kayrand et 71 droits miniers additionnels dans le canton d'Obalski.

Le prix d'achat se composait d'une émission à Merrill de 50,000 actions de Campbell Chibougamau Mines Ltd. et le paiement de \$700,000. De ce montant une somme de \$200,000 a été reçue et le solde est payable \$200,000 en janvier 1969, \$200,000 en janvier 1970 et \$100,000 le 5 janvier 1971. Votre compagnie a donc obtenu approximativement \$1,050,000 de la vente de ces actifs en plus d'une quittance générale de nos réclamations et de notre poursuite judiciaire contre Campbell Chibougamau Mines Ltd.

Par suite de l'épuisement de nos réserves de minerai l'extraction des restes de minerai dans des régions très dispersées sur une base de récupération n'était pas rentable.

EXPLORATION

Les travaux d'exploration se sont accrus. Le forage au diamant sur nos concessions minières connues sous le nom de Bloc "D", dans le canton d'Obalski dans Chibougamau n'a donné qu'une faible teneur en cuivre. Cinq conducteurs E.M. dans le canton Gand délimités par relevés géophysiques aériens et au sol ont été vérifiés par des forages au diamant. Deux emplacements, dont un dans le canton de Rouyn et l'autre dans le canton de Laverlochère, Québec, ont été essayés par relevés géophysiques et creusages de tranchées de surface. L'essai a relevé une faible teneur dans les options ont été abandonnées. Deux emplacements dans la région de Gaspé ont également été explorés par méthodes géophysiques et creusages au diamant, mais ils ont donné des résultats négatifs.

L'exploration en participation avec Terra Nova Explorations Ltd., dans la Colombie-Britannique, d'une nouvelle région cuivreuse se poursuivra encore cette année. Des prospecteurs agissant pour la compagnie ont relevé du sulfide à deux endroits dans les cantons de Julien et Latouche à l'ouest de Chibougamau. Nous avons enregistré un total de 36 concessions couvrant ces possibilités dont on intensifiera l'exploration cet été. Actuellement, deux emplacements, dont un dans la région de Newcastle et l'autre situé à 20 milles environ à l'ouest de St-Jean, Nouveau-Brunswick, sont explorés par procédé de forage au diamant. Nous sommes à négocier pour obtenir des options sur deux emplacements aurifères partiellement développés au Québec.

Votre compagnie s'occupe de l'exploration de l'uranium à la suite des intérêts de 40% qu'elle détient dans Québec Uranium Mining Corporation. Cette compagnie poursuit la localisation et l'exploration de régions contenant des matières radio-actives. Les intérêts d'approximativement 12% que la compagnie possède dans Cons. d'augmenter la participation à mesure que cette compagnie progressera et qu'un financement additionnel sera requis.

PERSPECTIVES

L'exploration sera intensifiée dans un effort pour localiser et développer des dépôts de minerai d'un volume suffisamment important pour être rentables. Votre direction tente d'utiliser les fonds maintenant disponibles pour élargir le cadre des activités de la compagnie. Le revenu provenant de votre participation dans l'cons se maintient.

R. P. MILLS,
Président.

Montréal, Québec.
Le 12 février 1968.

MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

Aux actionnaires de

Merrill Island Mining Corporation, Ltd.

Des changements dans les opérations de votre compagnie ont eu lieu en juin alors que l'on a discontinué l'usage du minerai provenant de la mine Merrill pour consacrer l'emploi de toutes les facilités d'usage au traitement du minerai pour le compte d'Icon Syndicate. Les travaux souterrains ont été concentrés sur la possibilité de développer des réserves additionnelles de minerai et le minerai extrait a été entassé à la surface.

L'état d'exploitation a été par conséquent révisé afin de présenter un état comparatif pour la période correspondante de 1966. Les résultats se résument comme suit:

Les revenus de la mine pour les six mois terminés le 31 décembre 1967 ont été de \$252,226 comparativement à \$288,233 et le profit brut de l'exploitation minière se chiffrait à \$82,714 comparativement à \$62,584 pour les six mois terminés le 31 décembre 1966. Les revenus de placements s'établissaient à \$131,012 contre \$13,639 en 1966 et le profit avant imputation des frais d'exploration était de \$115,594 comparative-ment à \$2,655 en 1966. Les frais d'exploration (imputés en entier à l'exploitation de la période) se sont élevés à \$106,361 et le profit de la période était de \$9,233. Pour les six mois terminés le 31 décembre 1966 les frais d'exploration étaient de \$48,922 et la période se terminait par une perte de \$46,267. Tous ces chiffres sont sujets à vérification et régularisations de fin d'exercice.

Les disponibilités au 31 décembre 1967 se chiffraient à \$3,594,930, y compris l'encaisse et les reçus de dépôts d'un montant de \$1,430,083 et les placements de \$1,602,723. Les exigences étaient de \$76,774, laissant un fonds de roulement net de \$3,518,156. Le montant correspondant l'an dernier était de \$2,624,549. L'état de la provenance et de l'utilisation des fonds ci-annexé montre une augmentation du fonds de roulement pour la période de six mois de \$572,898.

ICON SYNDICATE

A compter de juin les opérations principales d'extraction et d'usage ont été poursuivies pour le compte d'Icon Syndicate et nos propres travaux souterrains ont consisté à extraire et entasser le minerai et à faire de l'exploration souterraine dans un effort pour augmenter les réserves de minerai de la mine Merrill. Ces recherches n'ont pas été fructueuses et le puits, les travaux souterrains et certains autres actifs ont été vendus à Campbell Chibougamau Mines Ltd. en décembre. Votre compagnie extrait et usine maintenant le minerai d'Icon Syndicate en vertu d'une entente aux termes de laquelle Icon paie tous les coûts d'exploitation et Merrill participe jusqu'à concurrence de 10% dans les profits d'exploitation après remboursement des dépenses encourues par Icon pour mettre les propriétés en production. Le montant total des dépenses encourues par Icon est estimé à \$1,200,000 et le profit d'exploitation pour les cinq mois au 31 octobre 1967 à \$1,013,036. Le remboursement complet des dépenses d'Icon devrait donc être obtenu des profits réalisés en novembre et à compter de décembre 10% du profit d'exploitation sera porté au crédit de Merrill.

Le personnel de la mine est employé aux opérations d'Icon et votre usine et ses facilités connexes fonctionnent à capacité.

Merrill Island Mining Corporation, Ltd.
(NO PERSONAL LIABILITY)

Rapport Semi-Annuel

Du 1er juillet au 31 décembre 1967